



Council Policy 100-06: City Council Funding of Community Projects, Programs and Services

**City Council – Item 338
June 28, 2011**

Background



- In September 2010, the City Attorney issued a Memorandum of Law (MOL) regarding the “Budgeting, Appropriation, and Expenditure of Infrastructure Funds.”
- The MOL discussed the City’s practice of carrying over annual savings from each Council Office budget for use in the following year to allocate to community projects at the discretion of each Councilmember in their district.

Background



- The City Attorney opined that this process was inconsistent with the requirements of the budget process as outlined in the City Charter.
- Because of the MOL, requested allocations for use of these funds were suspended during Fiscal Year 2011, and the balance of the Infrastructure Funds fell to the City's General Fund Reserve.

Background



- At the Budget and Finance Committee meeting of April 20, 2011, the IBA presented Report No. 11-23 regarding “Proposed Council Policy for Community Programs and Projects Funds”:
 - Discussed the background of the Council Infrastructure Funds first established in Fiscal Year 2002;
 - Described the concerns as outlined by the City Attorney;
 - Suggested changes to past practices, including a proposed Council Policy.

Background



- Since that time, to resume this program, the IBA has worked with Financial Management and City Attorney staff, and also met with representatives of several Council Offices.
- Based on the work to date and changes that are proposed, it was determined that additional review by the Committee would be useful.

Background



- On Monday, June 6, 2011, the Council adopted the FY 2012 Budget, including the IBA's recommendations, with specific revisions which included the addition of allocations for each Council Office for Community Projects, Programs and Services, based on estimated savings as reported in the FY 2011 Year-End Monitoring Report totaling \$1.6 million for all Offices.

Background



- This budget action addresses the City Attorney's concern by utilizing the annual budgetary process as prescribed by the City Charter to incorporate funding in the annual budget for this purpose.

Background



- On June 15, the IBA presented Report No. 11-36 regarding proposed Council Policy 100-06:
 - Compared to similar County programs;
 - Discussed key elements of the policy proposal, including funding levels, eligible uses, and process to expend;
 - Described contracting concerns of the City Attorney;
 - Recommended adoption without ability to contract, until issues could be resolved.
- A draft Council Policy was provided as an attachment to this report.

County of San Diego



- The IBA reviewed the policies of the County of San Diego Board of Supervisors:
 - Neighborhood Reinvestment Program (B-072)
 - Community Enhancement Program (B-58)
- These programs have been the subject of multiple reports of the San Diego County Grand Jury, as recently as April 2011.
- The IBA considered the Grand Jury reports to ensure potential shortcomings in the City's proposed policy are avoided.



- The County's Neighborhood Reinvestment Program has an annual budget of \$10 million.
- The County programs utilize a standardized application process and the County's Chief Financial Officer/Auditor and Controller's Office provides oversight and administration.
 - The Grand Jury report stated that 1.5 full-time positions in the Financial Planning office track the grants, plus equivalent of 3 positions from all of the County Supervisors' Offices.

Proposed Council Policy 100-06



- Funding levels for annual allocations for “Community Projects, Programs and Services” for each Council Office will be included in the Mayor’s Proposed Budget.
- These amounts will be initially determined based on estimated savings to be achieved related to the administration of each Council Office by the current fiscal year-end.

Proposed Council Policy 100-06



- Actual savings achieved by each Council Office may vary slightly from the estimated savings in the next year's budget.
- Adjustments (positive or negative) could be addressed as a mid-year adjustment.
- Available appropriations in non-personnel expense accounts in the Council Office administrative budget may be reallocated to supplement the Community Projects, Programs and Services account.

Proposed Council Policy 100-06



- The purpose of the previous Infrastructure Fund, as described in the FY 2002 AO when it was first established, was for:
 - Financing capital improvements and major maintenance of streetlights, sidewalks, traffic signals, libraries, parks and recreation facilities, and roadways or other purposes as identified by the Mayor or individual Council District.”
- These purposes continue to be eligible uses under the new policy.

Proposed Council Policy 100-06



- Funding can be used to supplement the appropriations of any existing General Fund activity or a new activity.
- These funds are not to be utilized for administrative expenses of the Council Offices.
- Funding requests to supplement City Departmental expenses or existing capital improvement projects can be made of the Chief Financial Officer via memorandum from the respective Councilmember.

Proposed Council Policy 100-06



- Funding decisions should consider the likelihood and ability of the task or project to be completed within the fiscal year.
 - Since unexpended funds in the General Fund are not carried over, care should be made to not transfer funds to departments that are then unable to complete the request, and the unexpended funds could be lost at year-end.
 - Funding for capital projects carries over each year – once Council funds are transferred to capital project, no risk of losing funds, even if project not done.

Proposed Council Policy 100-06



- As these budget amounts will be determined each year, should be considered a one-time resource.
- Planned uses should be one-time in nature.
- Using these funds for ongoing services or personnel costs should be avoided.

Contracting Concerns



- Due to concerns of the City Attorney, the policy is currently drafted without the option to allocate funds by contracting with outside organizations.
- If contracting is desired, the City Attorney has suggested:
 - a standardized application process similar to the County, or as outlined in the City's current TOT Policy 100-03; and
 - development of a new standard contract.

Contracting Concerns



- If it is desired to be able to augment an existing contract awarded as a result of a City application process, a simpler contracting and authorization process may be able to be developed.
 - The IBA has not yet identified or discussed possible steps related to augmenting or explored possible impacts to City staff related to TOT or CDBG (or other) application processes.

FY 2012 Appropriation Ordinance



- Financial Management is currently preparing the FY 2012 Appropriation Ordinance (AO), based on the FY 2012 budget resolution adopted by the City Council on June 6, 2011.
- The IBA has requested a new section in the AO to address the proposed Council Policy.
 - Language will include authorization to transfer funds to departments and existing CIPs via memo

IBA Recommendation



- The IBA recommended the Budget and Finance Committee forward the proposed Council Policy to the Council for its consideration.
- Specific feedback/direction from the Committee was requested and modifications can be brought back at a later date.
- It is hoped that the Council Policy will be adopted prior to the start of FY 2012, to ensure that a mechanism is in place to guide use of funds already included in the budget.

Budget and Finance Committee Recommendation



- On June 15, the Budget and Finance Committee voted to forward the Council Policy to the Council, with additional requests to the IBA and City Attorney regarding:
 - Options for carryover of funding for projects underway
 - Options to provide funds to non-profit organizations
 - Minimum amounts and need for Council approval for contracts
 - Delegation of Mayor's contract authority to Council Admin
 - Possible municipal code amendment to provide Council authority to administer contracts for these funds

Summary



- It is important to note that the proposed Council Policy represents a significant improvement:
 - Establishes an annual process for budgeting funds for Council uses, consistent with the City Charter
 - Identifies a funding source
 - Specifies appropriate uses, and process for expenditure
- Work will continue on resolving issues of contracting with non-profits, and pursuing Committee direction.